

13. New Customer Contributions

13.1 Introduction

This additional chapter is included as part of East Gippsland Water's Water Plan 3 submission in accordance with the Essential Services Commission 2012, *Guidance Paper – new customer contributions*, August 2012.

For EGW'S purposes a New Customer Contribution (NCC) will:

1. Have regard to the incremental infrastructure and associated costs in one or more of the statutory cost categories attributable to a given connection.
2. Have regard to the incremental future revenues that will be earned from customers at that connection.
3. Be greater than the avoidable cost of that connection and less than the standalone cost of that connection.

In accordance with these pricing principles the NCC payable will generally be either;

A Standard NCC, which applies where applications to connect properties do not require any unplanned new growth assets to be created by EGW. In these cases, the Standard NCC is payable for each additional EQT being serviced for water and / or sewer services. The Standard NCC applies for water or sewer services across all of EGW's service area.

A Negotiated NCC, which applies where EGW considers that unplanned growth assets are required, or planned growth assets need to be brought forward, to adequately service a connection application over and beyond that for a Standard NCC, in accordance with EGW's Negotiation Framework.

In addition, the Connection Applicant is required to install any gifted assets required to service their development.

EGW will make sure that the new NCCs framework facilitates the efficient and timely connection of new customers on a fair and reasonable basis, taking into account the benefit to the new customer relative to the benefits realised by other customers.

13.2 Forecast NCC Growth Capital Expenditure

EGW's forecast growth capital expenditure and gifted assets, together with the revenue forecast, for the WP3 period, is summarised below:

- Ⓢ total WP3 forecast growth capital expenditure is \$13.743 million. This is made up of \$5.926 million for water and \$7.817 million for Wastewater;
- Ⓢ total WP3 forecast gifted assets is \$7.710 million. This is made up of \$3.305 million for water and \$4.405 million for wastewater;
- Ⓢ total WP3 forecast revenue from NCC is \$1.773 million. This is made up of \$1.083 million for water and \$0.690 million for wastewater.

13.3 Standard Charges and compliance with pricing principles

Details of the calculation of the Standard NCC are contained in the model provided by the ESC.

From the model, EGW's Standard NCC charges for the WP3 period are:

Water:	\$550 (real)
Sewer:	\$350 (real)

These charges apply for year 1, and will increase with CPI for each year of the WP3 period.

The Standard NCC is applied for each additional Equivalent Tenement (EQT) connected to any of EGW's water and/or sewer networks across all of EGW's service area.

An EQT is a unit of measure that is based on a normal household use being one (1.0) EQT which is the equivalent of one typical house on an allotment.

Unless specifically stated, newly connected properties (or each new property created by subdivision) will be subject to a standard NCC payable for a minimum of one (1) EQT per new vacant property.

The applicable NCC is payable prior to consent for Statement of Compliance in accordance with the planning process and EGW procedures.

Adjustments will be made to the NCC payable where a change of use for a connected serviced property increases the applicable EQT for that property. If additional EQT arise then further payment of NCC for any additional EQT will be required. These changes of use are normally identified through the planning or consent to connect processes.

Where tariffs have been levied on an undeveloped and un-connected serviced property over several years (e.g. vacant land), or where an upgraded connection is sought for an existing property (e.g. for a multi-unit development), the property will generally be deemed by EGW to have already contributed NCC for one EQT, unless specific information on that property indicates otherwise.

13.4 Consultation and Transition Plan

EGW has actively sought to consult with all local developers on the revised NCC regime. This has included:

- ④ contacting key local representatives from the development industry and conducting face to face meetings;
- ④ arranging a workshop for development industry representatives to present the new framework prior to Board approval;
- ④ sending to development industry representatives EGW's procedure for applying the new framework, proposed standard NCC charges and the negotiating framework.

Based on local feedback EGW believes no further transition plan is required. Therefore the new NCC framework will commence operation from 1 July 2013 in accordance with the relevant legislative requirements, ESC determination, guidance and pricing principles.

13.5 Tariff adjustments

The average residential customer will see an increase in their bill of 0.25% for the five years. This is due to the reduced revenue received from the revised new customer contributions methodology. The impact to customers is a 2 cent/kL increase in the water volumetric fee for year five of WP3.

13.6 Negotiating Framework

EGW's proposed negotiating framework is based on the pro-forma document, as contained in the ESC document (August 2012). A draft of EGW's proposed framework was included in **Appendix 3**, of East Gippsland Water's original Water Plan submission in September 2012.

13.7 Conclusion

EGW is committed to, and fully supports, the proposed new framework for New Customer Contributions for the WP3 period.

EGW's full procedure document can be obtained by request.